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TAGS: [EFIN](#) [PGOV](#) [MX](#)  
SUBJECT: MEXICO CITY'S RESPONSE TO INQUIRY ON FISCAL  
TRANSPARENCY

REF: SECSTATE 16737

¶1. (U) This cable is Mexico City's response to reftel regarding fiscal transparency in countries receiving USG assistance monies.

¶2. (SBU) Mexico has made strides in improving the transparency of its federal budget in recent years, but significant shortcomings remain. Mexico publishes its federal budget on the internet. The information is useful and appears to be accurate, but the public would benefit if it were easier to navigate online and if some sections of the budget were further disaggregated. Moreover, some items are excluded from the budget entirely. Off-budget items include several government-run stabilization funds, public trust funds, Bank Savings Protection Institute transfers, some liabilities associated with road concessions, and infrastructure investment in the petroleum and electricity sectors (Pidregas). Information on off-budget operations is reported quarterly and is included in the government's macroeconomic framework through the Public Sector Borrowing Requirements and the Historical Balance of the Public Sector Borrowing Requirements indicators.

¶3. (U) The IMF completed a Report on the Observance of Standards and Codes (ROSC) on fiscal transparency in August 2002. The report can be found on the IMF's webpage: <http://www.imf.org/external/np/rosc/rosc.asp>.

¶4. (U) The Latin American Budget Transparency Index, 2007, gave budget transparency in Mexico a 50 -- where 0 is "not transparent" and 100 is "completely transparent" -- down from 54 in 2005. Mexico fell in 11 of the 14 variables analyzed. It was dinged for the following reasons: a lack of citizen participation in the budget process; Congress's inability to act as a counterweight to the Executive; and the Secretariat of Public Administration's (SFP) inability to properly oversee the effective and transparent spending of public resources and to sanction corrupt government officials. On the positive side, the evaluation applauded the role of the National Superior Auditor Office (ASF), how the Federal Budget and Fiscal Responsibility Law (2006) increased the legislature's participation in the budget process, and the Secretariat of Finance and Public Credit's (SHCP) information

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on macroeconomic criteria. In order to improve transparency and accountability in the budget process, the research center in charge of the index (Fundar) recommended giving more teeth and resources to the ASF and the SFP, as well as providing clear and transparent information on how surplus revenues are distributed. It also recommended that the government disclose line-item information so the public can follow every

stage of the budget process.

¶5. (U) Relevant laws on budget disclosure are as follows: parts of the constitution, the Federal Budget Income Law (LIF), the Federal Budget Spending Law (PEF), the Federal Law for Transparency and Access to Information (LFTAIPG), the Federal Budget and Fiscal Responsibility Law (LFPRH), and the National Superior Auditing Law.

¶6. (U) The Government of Mexico makes every effort to inform international investors and the general public about its financial activities. Monthly and quarterly reports are released in a timely fashion on the SHCP's website, often accompanied by internal analysis and comments. Whenever there is a significant fiscal policy shift, fiscal authorities make themselves available to investors for questions, usually in the form of a conference call. In addition, analysts working in the Mexican Government are well informed and able to clearly explain available data and provide more detailed data when necessary to meet the consumer's needs. The U.S. Embassy in Mexico has productive contact with analysts in the SHCP, Secretariat of the Economy, Institute of Geography and Statistics (INEGI), and Bank of Mexico (central bank).

¶7. (U) Internal comptrollers in federal departments and agencies have taken on consulting roles, in addition to auditing, investigating and imposing sanctions. The Mexican Chamber of Deputies (lower house) selects a professionally qualified and non-political Auditor General to serve for a period of eight years.

¶8. (SBU) USAID does not have any programs to strengthen Mexico's capacity to develop sound fiscal policies at the national level. USAID's capital markets development program targets sub-national entities and promotes sound financial

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management practices, multi-year debt planning, and ongoing reporting for transparency in order to improve credit quality. USAID's governance project works with the national network of state and municipal information technology and public administration officials (CIAPEM). This project also supports inclusive and transparent policy-making at the federal and state levels, targeting areas that will improve Mexico's competitiveness. USAID does not have any activities in Fiscal Year 2008 to promote accurate disclosure of revenues and expenditures in the national budget of Mexico.

¶9. (SBU) The Narcotics Affairs Section (NAS) in the U.S. Embassy provides a wide variety of anti-corruption training (addressing topics such as ethics, leadership, and management), as well as limited equipment purchases for Mexican officials affiliated with the Attorney General's office (PGR), the SFP, and the Federal Police. NAS also supports a Culture of Lawfulness program, designed to instill adherence to public transparency and rule of law, for police academies in a number of states, and at the federal level.

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